FILED
12-13-13
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	RULEMAKING 12-11-005 (Filed November 8, 2012)

OPENING COMMENTS OF THE CALIFORNIA CLIMATE AND AGRICULTURE NETWORK ON THE ASSIGNED COMMISSIONER'S RULING REGARDING THE ESTABLISHMENT OF A NET ENERGY METERING TRANSITION PERIOD

ADAM KOTIN
Policy Associate
California Climate and Agriculture Network
1029 K Street, Suite 37
Sacramento, CA 95814
Telephone: (510) 333-9005
Facsimile: (916) 448-7176
E-mail: calcan.filings@gmail.com

Dated: December xx, 2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	RULEMAKING 12-11-005 (Filed November 8, 2012)

OPENING COMMENTS OF THE CALIFORNIA CLIMATE AND AGRICULTURE NETWORK ON THE ASSIGNED COMMISSIONER'S RULING REGARDING THE ESTABLISHMENT OF A NET ENERGY METERING TRANSITION PERIOD

I. SUMMARY

The California Climate and Agriculture Network (CalCAN) is a coalition of sustainable agriculture organizations that advances policy solutions at the nexus of climate change and sustainable agriculture. Our coalition members include farmer-member organizations such as the Community Alliance with Family Farmers, California Certified Organic Farmers and the Ecological Farming Association, representing several thousand farms and ranches in California.

Many of these farms and ranches have made considerable investments in renewable energy systems and participate in the Net Energy Metering (NEM) program. California's agricultural producers lead the nation in on-farm renewable energy production[1], and their contributions play an important role in achieving the NEM program goals as set forth in California Public Utilities Code Section 2827(a). However, their confidence in the NEM program, as well as their continued ability to

[1] See: http://www.agcensus.usda.gov/Publications/Energy_Production_Survey/

lead the nation in on-farm renewable energy installations, is contingent upon a fair implementation process of Assembly Bill (AB) 327.

We are therefore pleased to submit our opening comments on the Assigned Commissioner's Ruling Regarding the Establishment of a NEM Transition Period.

II. COMMENTS ON ACR QUESTIONS REGARDING NEM TRANSITION PERIOD

We have reviewed the questions posed by Commissioner Peevey in his ruling dated November 27, 2013 and respectfully offer the following comments:

A. TRANSITION PERIOD SHOULD BE AT LEAST 30 YEARS AND RELATED TO EXPECTED SYSTEM LIFE

CalCAN strongly recommends that the length of the proposed NEM transition period should consider expected system life rather than expected payback period.

For both current and prospective NEM customer-generators, certainty in the long-term viability of their investments is of the utmost importance. Given that the post-transition program has yet to be designed, anything less than a determination based on expected system life would throw customer-generators into a period of uncertainty in their investments. The State should be encouraging investment in distributed renewable technologies, rather than casting their future into doubt.

Given this, we recommend that the commission consider a minimum of 30 years, if not longer, for the transition period under the current NEM tariff. The National Renewable Energy Laboratory (NREL) has estimated photovoltaic systems' expected lifetimes at 30 years based on a systematic analysis of the published literature.[2] Given that 99% of current NEM accounts are solar PV (according to the CPUC/E3's NEM Ratepayer Impacts Evaluation[3]), we feel this is an appropriate transition period length for the Commission to consider.

A minimum transition period of 30 years or more is the only way to honor the understanding under which current NEM customer-generators made their investments, and it is the only way to provide certainty for prospective investors between now and when the 5% cap (or July 1, 2017) is reached.

B. ORIGINAL EQUIPMENT MANUFACTURERS' AND SYSTEM INSTALLERS' WARRANTIES SHOULD BE THE ONLY WARRANTIES CONSIDERED, BUT OPERATIONAL LIFE OF THE SYSTEM SHOULD SUPERSEDE EVEN THESE

We respectfully observe that the warranty requirement in California Publ. Util. Code §387.5(d)(4) is a directive to the local publicly owned utilities and *not* to equipment manufacturers or customer-generators. It is intended to set a floor for acceptable warranty lengths and should not be referenced in the context of the transition period. Most customer-generators will not be familiar with this requirement in statute, and will have made their investment decisions based on the Original Equipment Manufacturer's (OEM) warranty, which is on average two-and-a-half times the length set by the floor, or around 25 years, for solar photovoltaic systems. Virtually all of the solar system designers and installers with whom we are familiar use this 25-year system warranty as the economic and investment basis for their customer transactions.

---

[2] "Life Cycle Greenhouse Gas Emissions from Solar Photovoltaics." NREL. November 2012. Accessible online at: http://www.nrel.gov/docs/fy13osti/56487.pdf

[3] http://www.cpuc.ca.gov/NR/rdonlyres/75573B69-D5C8-45D3-BE22-3074EAB16D87/0/NEMReport.pdf

We therefore recommend that the ten-year warranty be disregarded as irrelevant to the matter of this transition period. We further urge the Commission to consider that no product is warrantied for its full life, and that the expected life of a system should extend well past the designated warranty.

C. INTERCONNECTION DATE AS START OF EXPECTED LIFE, OR A SINGULAR TRANSITION DATE FOR ALL SYSTEMS, ARE ADVISABLE OPTIONS

We support a determination that the reasonable expected life of a system begins on the date of system interconnection.

Alternatively, to avoid confusion regarding the 'start' date of the transition period for each system, as well as the difficulty of defining 'expected life' and 'expected payback period' for these purposes, the Commission might consider the option that *all* systems, regardless of the date they began service under the NEM tariff, would transition on the same future date.

D. REASONABLE EXPECTED PAYBACK PERIOD SHOULD NOT VARY BY CUSTOMER TYPE OR SYSTEM SIZE

We recommend that the reasonable expected payback period as defined by the Commission not vary for different types of customers or system sizes. There are many different variables in any calculation of a "reasonable expected payback period", which can differ widely on a system-by-system basis.

In Governor Brown's signing statement for Assembly Bill 327, he recommended that customers be "protected under those rules for the *expected life* *of their systems.*"[4] For the reasons stated at (A) regarding investment certainty and other factors, we strongly support the Governor's expectation in this regard.

E. SYSTEM MODIFICATIONS SHOULD BE PART OF NEM TRANSITION TO AVOID INADVERTENT DISINCENTIVES TO RENEWABLE ENERGY INVESTMENT

We recommend that all modifications to a NEM contract before the 5% cap or July 1, 2017 is reached be subsumed under the NEM contract established for the initial system installation. All modifications would then be subject to the same transition date as the initial equipment. We view this as the only feasible way to treat modifications under the transition period.

In deciding how to treat modifications under the transition period, we urge that great care be taken not to provide inadvertent disincentives to expansion of existing renewable energy investments.

III. CONCLUSION

These comments are submitted by CalCAN to provide insights from farm and ranch operators in California on their experiences with the NEM program and their considerable investments in distributed renewable energy. It is crucial that the NEM transition period not devalue existing renewable energy investments, and that it also not disincentive new investments or expansion of existing investments. We strongly encourage the Commission to determine a *minimum* of 30 years for the NEM transition period, based on expected system life, avoiding disincentives to expansion of existing installations.

[4] Signing statement viewable at: http://gov.ca.gov/docs/AB_327_2013_Signing_Message.pdf

We appreciate the Commission's timely ruling on these issues to avoid investment uncertainty, and look forward to participating in this process.

Executed December 13, 2013 in Sacramento, CA

Respectfully Submitted,

ADAM KOTIN
Policy Associate
California Climate and Agriculture Network
1029 K Street, Suite 37
Sacramento, CA 95814